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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of )  
 )  
Federal-State Joint Board on ) CC Docket No. 96-45  
Universal Service ) (Report to Congress)

**COMMENTS OF U S WEST, INC.  
FOR THE COMMISSION'S REPORT TO CONGRESS**

U S WEST, Inc. ("U S WEST") submits these Comments to assist the Federal Communications Commission ("Commission") in drafting its Report to Congress on the Commission's interpretation and implementation of the provisions of the Telecommunications Act of 1996 ("1996 Act") relating to universal service, as requested by the Commission in the Public Notice in this docket.<sup>1</sup>

I. INTRODUCTION

The Commission seeks public comment and input with regard to whether the Commission's interpretations on five topics involving universal service are consistent with the plain language of the Communications Act of 1934 ("Act"), as amended by the 1996 Act.

U S WEST's comments focus exclusively on the the fifth topic, which U S WEST regards as the most critical of the topics and about which many carriers, states, and members of Congress are concerned: (5) the Commission's decisions

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<sup>1</sup> Public Notice, Common Carrier Bureau Seeks Comment for Report to Congress on Universal Service Under the Telecommunications Act of 1996, DA 98-2, rel. Jan. 5, 1998.

regarding the percentage of universal service support provided by Federal mechanisms and the revenue base from which such support is derived.

II. THE COMMISSION'S DECISION TO ASSESS CONTRIBUTIONS FOR UNIVERSAL SERVICE IN HIGH-COST AREAS BASED SOLELY ON INTERSTATE REVENUES, RATHER THAN TO ESTABLISH A NATIONAL UNIFIED FUND AND TO ASSESS CONTRIBUTIONS BASED UPON BOTH INTERSTATE AND INTRASTATE REVENUES, IS CONTRARY TO THE ACT

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In the Universal Service Order,<sup>2</sup> the Commission established three funds to provide the following support: (1) support for high-cost, rural, and insular areas and for low-income customers ("High-Cost Low-Income Fund"); (2) support for schools and libraries ("Schools and Libraries Fund"), and (3) support for rural health care providers ("Rural Health Care Fund").

The Federal-State Joint Board on universal service recommended,<sup>3</sup> and the Commission adopted,<sup>4</sup> a national unified Schools and Libraries Fund to support schools and libraries, basing contributions on revenues received by telecommunications carriers from both interstate and intrastate services provided to end-user customers. The Commission concluded that it had authority to assess contributions on revenues from both interstate and intrastate services, because Section 254(b)(5) of the 1996 Act requires that "[t]here should be specific,

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<sup>2</sup> In the Matter of Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd. 8776 (1997) ("Universal Service Order"); appeals pending sub noms. Texas Office of Public Utility Counsel, et al. v. FCC, 97-60421 (5th Cir.); on recon. 12 FCC Rcd. 10095 (1997) ("Order on Reconsideration").

<sup>3</sup> In the Matter of Federal-State Joint Board on Universal Service, Recommended Decision, 12 FCC Rcd. 87, 378 ¶ 573 (1996) ("Recommended Decision").

<sup>4</sup> Universal Service Order, 12 FCC Rcd. at 9082-83 ¶¶ 583-86.

predictable and sufficient Federal and State mechanisms to preserve and advance universal service”<sup>5</sup> and because Section 254(b)(1) of the 1996 Act requires that universal service “should be available at just, reasonable, and affordable rates.”<sup>6</sup> In the Order on Reconsideration, the Commission affirmed its conclusion that the 1996 Act empowers the Commission to assess universal service contributions on intrastate as well as interstate revenues.<sup>7</sup>

Conversely, in the case of the High-Cost Low-Income Fund, the Commission concluded that only a small portion of the cost of universal service would be supported by the Federal support mechanism, *i.e.*, 25%, and that the states would be responsible for establishing funding mechanisms for the balance of the costs of providing universal service in high-cost areas, *i.e.*, 75%.<sup>8</sup> The Commission decided to assess interstate revenues, but declined to assess intrastate revenues for the high-cost low-income support mechanism, “because we have every reason to believe that the states will participate in the federal-state universal service partnership so that the high cost mechanisms will be sufficient to guarantee that rates are just, reasonable, and affordable.”<sup>9</sup> However, the Federal support mechanism will support only the Federal portion -- *i.e.*, 25% -- of the cost of local network usage in high-cost

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<sup>5</sup> 47 U.S.C. § 254(b)(5).

<sup>6</sup> 47 U.S.C. § 254(b)(1).

<sup>7</sup> Order on Reconsideration, 12 FCC Rcd. at 10106 ¶ 26.

<sup>8</sup> The Commission said that this division of responsibility between the federal government and the states to fund universal service in high-cost, rural, and insular areas approximately mirrors the traditional division of costs between the federal and state jurisdictions. Universal Service Order, 12 FCC Rcd. at 8888 ¶ 201.

<sup>9</sup> *Id.* at 8924-25 ¶ 268.

areas. U S WEST respectfully submits that there is no basis for the Commission's belief that the states can or will fund the balance of the universal service deficiency for high-cost areas.

A. Whether States Are Willing Or Able To Fund The 75% Deficiency In Support For High-Cost, Rural, And Insular Areas In Their States Is Unknown

There is no evidence in the record in this docket that state governments have, or intend to have, mechanisms in place to fund the remaining 75% needed for support of universal service in high-cost areas. The Commission has made no attempt to determine the level of support that can or will be provided by state governments.

In fact, the Commission concedes that it is not currently possible to determine whether state support mechanisms will meet this funding level until the states complete their own efforts to convert implicit state subsidies into explicit support.<sup>10</sup> Moreover, the Commission has said that the Federal support mechanism for non-rural carriers for high-cost areas will not be implemented until December 31, 1998 and for rural carriers not earlier than January 1, 2001. In the meantime, the Commission said that it would "monitor" the level of state support to assess "whether additional federal universal service support is necessary."<sup>11</sup>

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<sup>10</sup> Id. at 8926 ¶ 271; see also, Response of the Federal Communications Commission to the Motion for Stay of the Rural Telephone Companies, In re: Amana Society Service Company, et al. v FCC, Case No. 97-60794 (5th Cir.), filed Dec. 24, 1997 at 12-13.

<sup>11</sup> Universal Service Order at 8888-89 ¶ 202; see also, Order on Reconsideration at 10107-108 ¶ 28.

The Commission's "wait and see" approach does not respond to or placate the serious concerns which have been raised by both large and small local exchange carriers ("LEC") and, increasingly, by state commissions in predominantly rural states. Many states lack the means and the population base to fund 75% of the costs of universal service in high-cost areas in their states. Additional time and monitoring of the situation by the Commission will not change that.

Providing support for high-cost service in rural and insular areas requires that revenues earned by LECs in densely populated urban areas be used to subsidize service in rural and other high-cost and remote regions. However, many states lack sufficient low-cost service areas to provide the necessary support to high-cost areas. The Commission's current support mechanism for high-cost, rural, and insular areas fails to recognize this geographic and economic fact.

Costs are driven principally by density and distance. For example, U S WEST's 14-state region has an average of 40 customers per square mile, compared to several other Bell Operating Companies which have an average of 250 customers per square mile. The Commission's interstate fund covers only 25% of the cost of universal service in high-cost areas. Therefore, the Commission's interstate fund leaves these customers without an explicit mechanism to ensure affordability of service.<sup>12</sup> Customers in low-cost, high-density states should provide support for customers in high-cost, low-density states such as Montana and

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<sup>12</sup> Petition for Reconsideration and Clarification of U S WEST, Inc., filed July 17, 1997 at 4.

Wyoming.<sup>13</sup> The Commission fails to recognize this demographic fact and the need in these high-cost, low-density states for support funds from low-cost, high-density states for intrastate services.

B. The States Are Not Required By Law To Make Up The Deficiency

Even though the Commission has taken a “wait-and-see” approach and has left it to the states to make up the deficiency in support for high-cost areas, the 1996 Act does not require the states to fund intrastate universal services. Congress acknowledged that the states have the option to supplement the Federal support mechanisms. Congress said that states “may” adopt additional increments to the Federal program.<sup>14</sup> Such state programs must be “not inconsistent with the Commission’s rules to preserve and advance universal service” and may “provide for additional definitions and standards” only if states also “adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.”<sup>15</sup> However, states are not required to supplement the Federal support mechanism put in place by the Commission.

C. The Shortfall Created By The Commission’s Refusal To Establish A National Unified Fund Will Compel State Commissions In 39 States To Raise Rates For Local Service If The States Want To Preserve Universal Service For Their Residents

Even if some high-cost, low-density states are willing to generate the

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<sup>13</sup> See Attachment 1.

<sup>14</sup> 47 U.S.C. § 254(f).

<sup>15</sup> Id.

necessary revenues to make up the deficiency caused by the shortcomings of the Federal support mechanism by imposing substantial contribution obligations on intrastate service providers to provide support for intrastate universal service, these contribution obligations will ultimately be borne by non-high-cost users in their states. These states will be required to raise rates for local service, and customers in 39 states will pay substantially higher rates to maintain service.<sup>16</sup> Rates in most of these states will ultimately be unaffordable.

Such a result will be at odds with the Congressional mandate in Section 254(b)(1) that the Commission shall base policies for the preservation and advancement of universal service on the principle that services should be available at “just, reasonable, and affordable rates.”<sup>17</sup>

Attached as Attachment 2 are letters from United States Senators and Representatives in each of U S WEST’s 14 states expressing concern that the Federal funding mechanism adopted by the Commission for high-cost areas is inadequate and will result in dramatically higher rates for the residents in their states.

Accordingly, the Commission should advise Congress that it is unable to confirm that implementation of the Federal support mechanism for high-cost, low-

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<sup>16</sup> See Attachment 1.

<sup>17</sup> 47 U.S.C. § 254(b)(1).

density areas will be "sufficient" or "predictable" or that rates for universal service will continue to be "just, reasonable and affordable."<sup>18</sup>

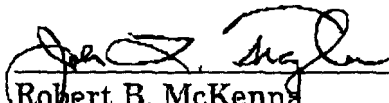
### III. CONCLUSION

Implementation of the current Federal support mechanism for high-cost areas, where only 25% of the costs will be funded and where the remaining 75% of the costs may be funded by the states, will not result in the degree or kind of support required by Congress in the 1996 Act.

Respectfully submitted,

U S WEST, INC.

By:

  
Robert B. McKenna  
John L. Traylor  
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1020 19th Street, N.W.  
Washington, DC 20036  
(303) 672-2798

Its Attorneys

Of Counsel,  
Dan L. Poole

January 26, 1998

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<sup>18</sup> 47 U.S.C. § 254(b). Most rural telephone companies have also recognized this shortcoming when the Commission failed to establish a national unified fund to provide sufficient and predictable support for high-cost, rural, and insular areas and for low-income customers. They share the urgency of U S WEST's concern even though the Federal funding mechanism for rural companies serving high-cost areas is not expected by the Commission to be in place until at least January 1, 2001. See Emergency Motion For Partial Stay of the Rural Telephone Companies, Texas Office of Public Utility Counsel, et al. v. FCC, Case No. 97-60421 (5th Cir.), filed December 5, 1997.



## **Attachment 1**

# **FUNDING UNIVERSAL SERVICE IN HIGH-COST AREAS**

## **NATIONAL FUND**

**v.**

## **INTERSTATE FUND and SEPARATE STATE FUNDS**

The Telecommunications Act of 1996 (1996 Act) requires that implicit support for universal service be removed from LEC rate structures and replaced with “specific, predictable and sufficient” explicit support mechanisms to preserve and advance universal service.

The size of the high-cost fund which will be necessary to support affordable service in rural America has been the subject of considerable debate. The size of the necessary fund has been estimated to range from as low as \$6B to as high as \$20B. The FCC currently has an inquiry underway to develop a cost proxy model which will be used to size the fund and target support to high cost areas. In the illustration which follows, a fund size of \$13.7B is used, which is roughly half way between the two extremes. Regardless of the size of the fund, the relative relationship of funding requirements between states is likely to remain the same. The results used are from the Benchmark Cost Proxy Model (BCPM) developed by BellSouth, Sprint, U S WEST and INDETEC International.

Once the size of the explicit support requirements for each state is determined, a mechanism must be developed to collect the necessary funds from all telecommunications providers on a competitively neutral basis. Two alternative plans for raising the necessary funds have been discussed:

- A National Fund, where the total funding requirement is supported by an assessment on all interstate and intrastate revenues. This assessment is reflected in the following charts as a common surcharge on intrastate and interstate revenues. The FCC has declined to adopt this alternative.
- An Interstate Fund and Separate State Funds, where 25% of the funding requirement for high-cost areas in a state are supported by a national assessment on interstate revenues, but where the remaining 75% of the funding requirement for high-cost areas in a state are supported by a state-imposed assessment on the local and other intrastate revenues in that state. The FCC adopted this alternative in the Universal Service Order released in May 1997.

The attached charts compare the impact of these plans on individual states:

**National Fund:** A National Fund would require a uniform 8% surcharge on all interstate and intrastate telecommunications services for all states.

Interstate Fund and Separate State Funds: The Interstate Fund would require a uniform 5% surcharge on all interstate revenues. However, the Separate State Funds to cover 75% of providing universal service in high-cost areas in a state would range from a requirement by the state commission and carriers to impose a 57% surcharge on local and other intrastate services in South Dakota to virtually no requirement to impose a surcharge in the District of Columbia.

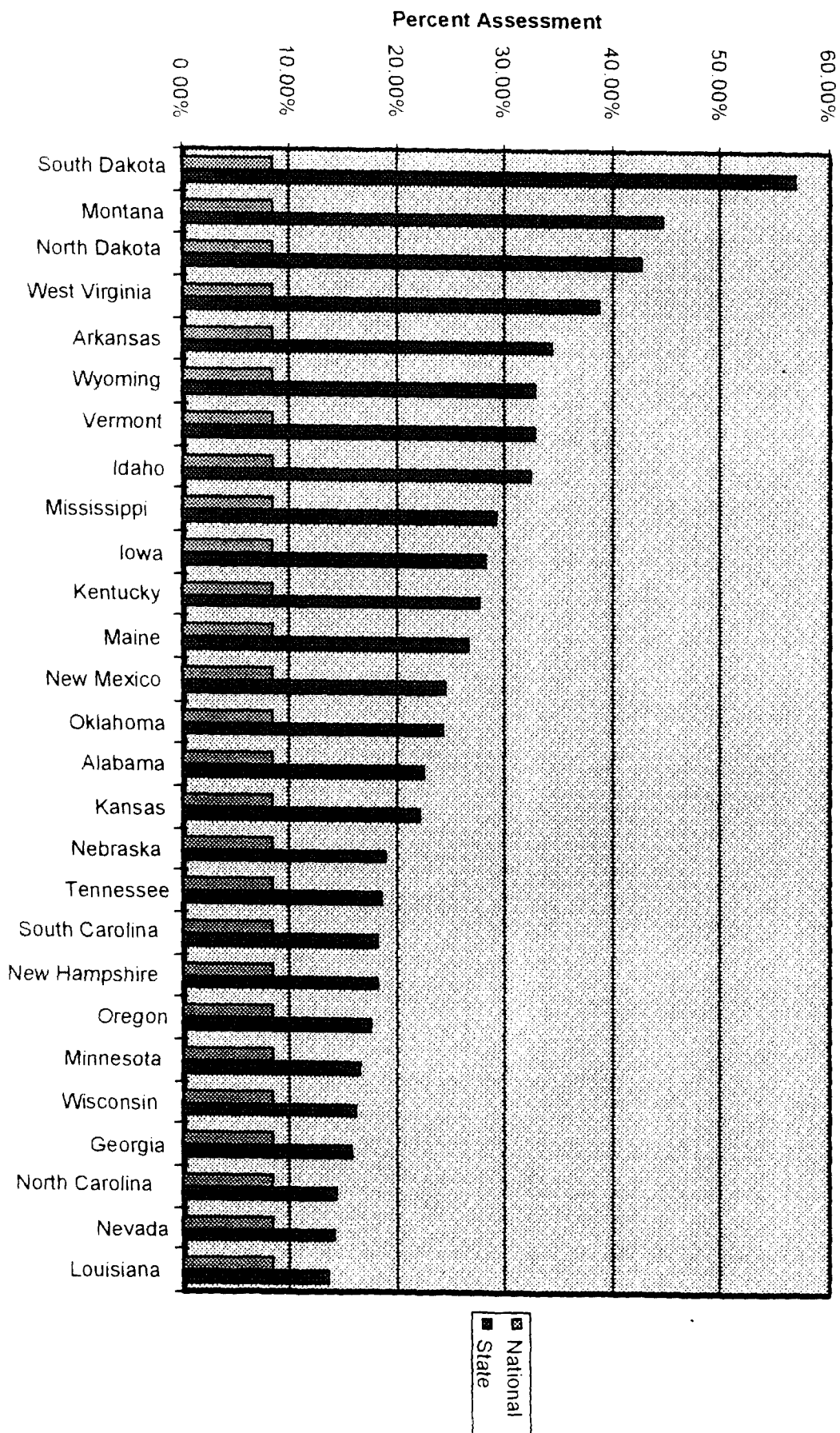
In general, the western and southern states would have the highest state-specific intrastate surcharges under the 25%/75% plan which has been adopted by the FCC.

Two factors dictate where a state will fall on the continuum. The first is the number of high-cost customers within a state. The second and more important factor is the number of low-cost customers within the state over whom the cost of supporting the high-cost customers can be spread. Low-cost customers are located predominantly in high-density urban areas while high-cost customers are located predominantly in low-density rural areas.

These charts demonstrate why a National Fund will be required to support high-cost areas and to fulfill the universal service goals of the 1996 Act. The disparity of funding assessment between states would require customers in the most costly states (i.e., rural states) to pay total rates (basic rates plus surcharge) which may not meet the "affordability" standards of the 1996 Act. Furthermore, the wide disparity in assessment between the states could adversely impact economic development in a state, because telecommunications are a vital element of commerce and the disparate universal service burdens and surcharges on communications services between states could divert industries and job growth away from the rural areas which need it the most.

# State vs. National Fund (1 of 2)

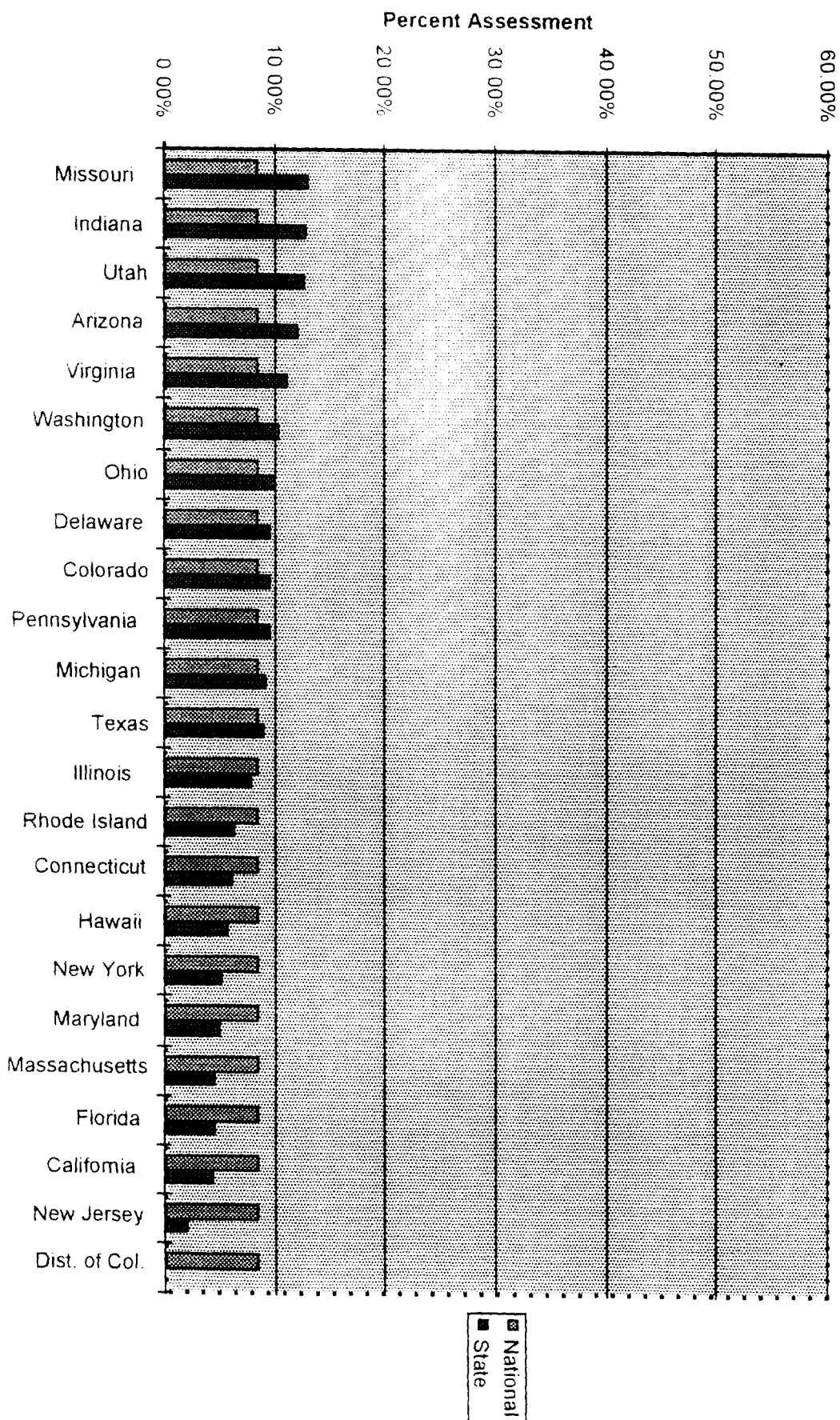
(Assumes \$13.7B Fund - BCPM @ \$30)



NOTE: Under the separate assessments alternative, customers in all states would pay a 5.0% assessment on all interstate services.

# State vs. National Fund (2 of 2)

(Assumes \$13.7B Fund - BCPM @ \$30)



NOTE: Under the separate assessments alternative, customers in all states would pay a 5.0% assessment on all interstate services

## **Attachment 2**

# United States Senate

WASHINGTON, DC 20510

September 25, 1997

The Honorable Reed E. Hundt  
Chairman, Federal Communications Commission  
1919 M Street, NW, Suite 814  
Washington, D.C. 20554

Dear Reed:

As you continue your work to implement the provisions of the Telecommunications Act of 1996 dealing with the high-cost universal service fund, we are writing to urge you to pay close attention to the needs of consumers in rural areas, such as South Dakota.

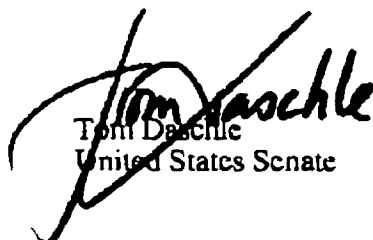
As you know, the concept of universal service was established over sixty years ago to guarantee that all Americans, especially those living in high cost and rural areas, would have affordable access to quality telephone service. Although this commitment was enhanced to meet the evolving definition of universal service in the 1996 Act, it is imperative that the implementation of these provisions reflect the intent of Congress and not jeopardize the right of rural consumers to have affordable access to telecommunications services. The concept of universal telephone service was set forth with rural consumers in mind, and they should continue to be the focal point of your efforts to enhance the universal service system.

The Telecommunications Act of 1996 addressed the concept of universal service by specifically stating that it must provide for "specific, predictable, and sufficient Federal and State mechanisms" that preserve and advance universal telephone service. This federal guarantee must be backed by a sufficient level of federal support. That is why we endorse a fully funded, national universal service support mechanism that ensures affordable access to advanced telecommunications services for every South Dakotan living in a rural or high cost area.

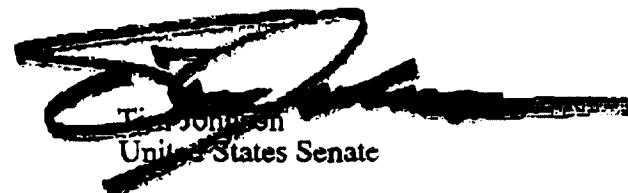
We strongly believe that both interstate and intrastate telecommunications revenues should be included in a national universal service fund. Section 254(b) (3) of the Act, clearly states that consumers across the nation, "including those in rural, insular, and high cost areas, should have access to telecommunications and information services including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparably to rates charged for similar services in urban areas." We believe that limiting support dollars to interstate-only revenues undercuts the federal guarantee of universal service and would have a serious impact on consumers in states like South Dakota where telephone service costs are high, distances are wide, and population densities are low.

We appreciate the Joint Board's ongoing work to implement the provisions of the Telecommunications Act of 1996 dealing with universal service, and hope you will join us in support of a national high-cost fund that upholds our intent to maintain affordable telecommunications services to consumers in rural America.

Sincerely,



Tom Daschle  
United States Senate



Tim Wirth  
United States Senate

4  
GONRAD BURNS  
MONTANA  
DEPUTY WHIP

## United States Senate

WASHINGTON, DC 20510-2803  
(202) 224-2644

COMMITTEES  
APPROPRIATIONS  
COMMERCE, SCIENCE, AND  
TRANSPORTATION  
ENERGY AND NATURAL  
RESOURCES  
SMALL BUSINESS  
SPECIAL COMMITTEE ON AGING

November 21, 1997

Dear Joint Board Member:

Few telecommunications issues are more important or affect more Montana telephone customers than universal service. The availability of affordable phone service is critical in connecting Montanans with the rest of the world and in promoting new economic development opportunities in our state.

In your work to reform this essential program, we urge you to carefully consider the impact of your decisions on rural telephone users.

Given the FCC's May universal service order, the majority of Montana phone customers stand to lose if a fully funded support system is not established soon. While the Commission appropriately protected customers served by small, rural telephone companies in the order, it postponed until January 1999 the establishment of a federal fund to support high-cost customers served by larger telephone companies. In Montana alone, this funding gap affects 57 percent of the state's high-cost households (households where it costs \$30 or more each month to provide telephone service).



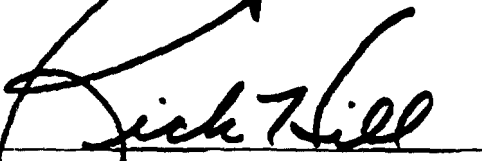
The availability of affordable phone service is a national priority and a Montana necessity. To meet this goal, the universal service fund should be composed of telecommunications revenues from both interstate and intrastate services, and should cover 100% of the support required above a pre-determined national benchmark for affordability.

Leaving states with a 75% funding burden (as currently proposed by the FCC) will deepen the divide between Montana and more urban states, and create inequities in Americans' ability to access and pay for advanced telecommunications services. That is not what the Telecommunications Act of 1996 contemplated, nor is it the right policy for Montana.

We encourage you to advocate strongly for a national universal service fund that more broadly and equitably distributes responsibility for support. Thank you for your consideration of our concerns and those of rural telephone customers across the country.

Sincerely,



  
\_\_\_\_\_  
Senator Conrad Burns  
\_\_\_\_\_  
Senator Max Baucus  
\_\_\_\_\_  
Representative Rick Hill

cc: Commissioner William Kennard  
Commissioner Michael Powell  
Commissioner Susan Ness  
Commissioner Gloria Tristani  
Commissioner Harold Furchtgott-Roth  
Commissioner Julia Johnson  
Commissioner Laska Schoenfelder  
Commissioner David Baker  
Commissioner Martha Hogerty  
Commissioner H. Russell Frisby

# Congress of the United States

Washington, DC 20515

July 18, 1997

Federal-State Joint Board  
Universal Service Division  
Common Carrier Bureau  
2100 M St, Rm 8601  
Washington, DC 20554

Dear Joint Board Member:

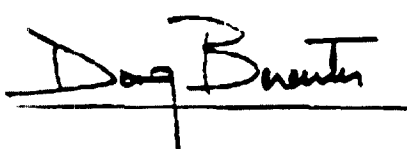

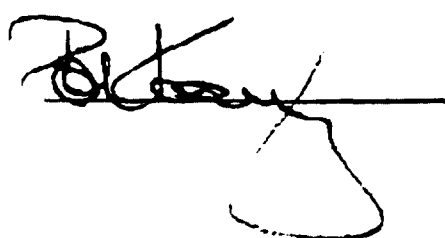
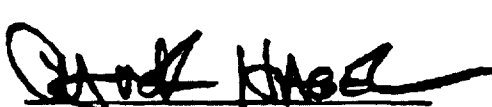
Universal telephone service has been a national priority since the 1930's. To sustain it into the next century, we encourage you to endorse a national universal service fund that supports fairly and adequately Nebraskans living in rural, high-cost areas.

Because telephone costs are driven by distance and population density, rural states will find it increasingly difficult to sustain affordable phone rates without significant federal support. An active federal role is imperative to successfully implementing the Telecommunications Act of 1996. The interrelated reforms in access charges and universal service, that will transform previously implicit subsidies to explicit ones, also will render inadequate the current formula for high cost support.

While we understand the interest in avoiding jurisdictional conflicts, the overriding objective of universal service must take precedence if congressional intent is to be recognized. To maintain network investment levels and affordable telephone rates across Nebraska, we strongly urge you to recommend to the Federal Communications Commission the uniform, consistent support guaranteed by a universal service fund utilizing both interstate and intrastate funding.

We appreciate your attention to this important issue, and we look forward to your support of a national fund that protects rural phone customers and fulfills Congress' commitment to universal service.

Sincerely,

## United States Senate

WASHINGTON, DC 20510-6003

July 23, 1997

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
Suite 814  
1919 M Street, NW  
Washington, D.C. 20554

Dear Chairman Hundt:

Reforming our nation's universal service system is a tremendous challenge, and one that will have lasting implications for telephone customers in Wyoming and other rural states. In your work on the Joint Board, we encourage you to protect the interests of rural consumers and create a national high-cost fund that sends support dollars where they are needed most. By doing this, you will fulfill the clear mandate of the Telecommunications Act of 1996 and help sustain a truly national communications system available to all citizens.

In the face of declining telephone rate support, through federally mandated access charge reductions and new competitors targeting the most profitable markets and services, a sustainable universal service support mechanism is ever more important. We therefore view with great concern the current formula for universal service support: 25 percent of the funding comes from federal sources and 75 percent from the states.

In Wyoming, with its vast terrain and dispersed and relatively small population, a 75 percent state funding responsibility will have a clear, immediate and detrimental effect on phone rates. Although Wyoming has a universal service funding mechanism, it is beyond the capacity of Wyoming to absorb the huge increases in costs that a 25/75 split would create for it. It is clear to us that a federal universal service fund that pays only 25 cents on every dollar of high-cost telephone service will shortchange thousands of Wyoming telephone customers, and millions of others across the country.

Universal telephone service is a national commitment requiring strong federal support. In that regard, the Telecommunications Act of 1996 envisioned a partnership between the states and the federal government to work together on the nation's telecommunications challenges. We urge you to adopt a national high-cost fund that provides all of the rate

The Honorable Reed E. Hundt

July 23, 1997

Page 2


support needed to keep Wyoming customers connected to the public telephone network. Only with a national fund available to all high-cost service providers can customers in our state be assured of affordable access to this vital communications link.

Thank you for your consideration of this matter. We hope you will join us in supporting a cooperative national solution for universal service.

Sincerely,

  
Craig Thomas  
United States Senator

  
Michael Enzi  
United States Senator

  
Barbara Cubin  
Member of Congress

cc: The Joint Board on Universal Service

**Congress of the United States**  
**Washington, DC 20515**

September 25, 1997

The Honorable Laska Schoenfelder  
Commissioner, South Dakota Public Utilities Commission  
Joint Board on Universal Service  
500 E. Capitol Street  
Pierre, SD 57501-5070

Dear Commissioner Schoenfelder:

In March of this year, we wrote to the Federal Communications Commission (FCC) Chairman Reed Hundt expressing our views about the universal service reform and the implications for rural phone customers throughout the state of Idaho.

In May the FCC offered a universal service order. Due to the nature of that order we are compelled to write again to reiterate our deep concern for rural customers and the need for a national approach to universal service that maintains affordable phone rates and infrastructure investment in all regions of the country.


In our March letter, we urged the creation of a federal Universal Service Fund (USF) based on the combined interstate and intrastate retail revenues of telecommunications companies. Without a national commitment to universal service, customers in rural state like Idaho - where costs can be quite high due to rugged terrain and lack of population density - will be hardest hit. Limiting the federal USF to interstate-only revenues will place tremendous pressure on rural phone rates and leave state commissions to bridge the revenue gap. The likely, but unintended consequence of such a policy is a divide between urban "haves" and rural "have-nots."

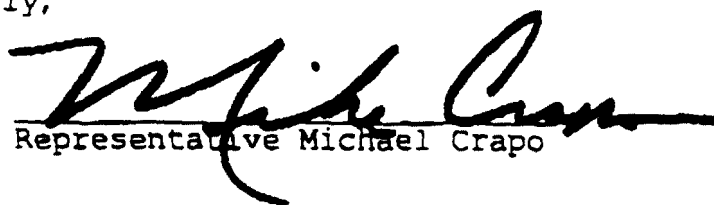
Infrastructure investment and development are critical economic issues for Idaho. Should the lions' share of universal support responsibility fall to the state, dollars now invested by local phone companies to maintain and upgrade Idaho's public telephone network will be severely compromised.

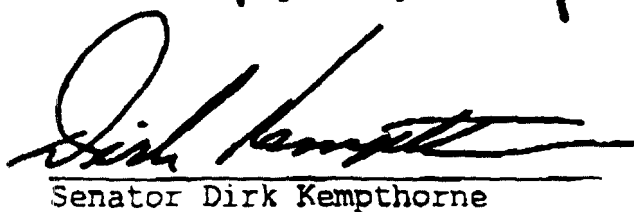
As we emphasized in our March letter, the manner in which the USF is structured and funded will profoundly influence the availability of affordable telecommunications service in rural Idaho. The intent to the Telecommunications Act of 1996 was to ensure affordable telephone service to every American - regardless of location or service provider. We hope you will join us in supporting a national USF and make that goal a reality.

Thank you for your consideration of our concerns. Should you have any questions as you work on this important issue, please don't hesitate to contact us.

Sincerely,

  
Senator Larry Craig

  
Representative Michael Crapo

  
Senator Dirk Kempthorne

  
Representative Helen Chenoweth

# **Congress of the United States**

**Washington, DC 20515**

**September 24, 1997**

**Dear Joint Board Member:**

**We are writing to urge your endorsement of a national universal service fund that helps keep telephone rates affordable for all Oregonians.**

**As historic telephone subsidies decline due to mandated access charge reductions and growing competition in the most profitable markets, telephone companies and state public utility commissions will find it increasingly difficult to sustain affordable residential phone prices and adequate network investment levels without a fully funded high-cost support mechanism.**

**To ensure that every Oregonian has affordable access to local telephone service, both interstate and intrastate telecommunications revenues should be used to support a high-cost universal service fund. This combined fund should cover 100% of the subsidy above a predetermined national benchmark for phone service affordability.**

**Not only will an interstate/intrastate universal service fund promote reasonable telephone rates, it will ensure the vitality of the public telephone network, as service providers will have a continued incentive to invest in this critical backbone. Forcing states with large rural areas to carry 75% of the universal service funding burden will detrimentally affect economic development opportunities as network investment dollars dry up and telephone prices escalate.**

**Like the nation's superhighways, Americans' access to the telecommunications superhighway should be a federal priority. Shirking this responsibility will deepen the division between rural and urban areas, weaken the country's telecommunications infrastructure, and jeopardize Congress' goal of affordable access to advanced communications technology in rural and urban areas alike.**

Keeping our telecommunications infrastructure strong is important to all telephone customers, whether they live in downtown Portland or on a ranch in eastern Oregon. Please join us in supporting a national solution to universal service that protects rural customers and maintains a robust telephone network.

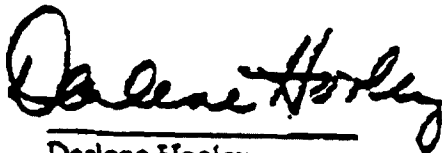
Sincerely,



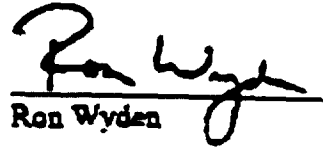
Gordon Smith



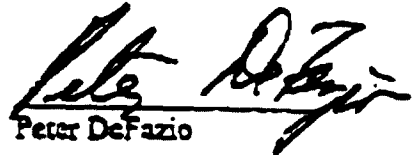
Bob Smith



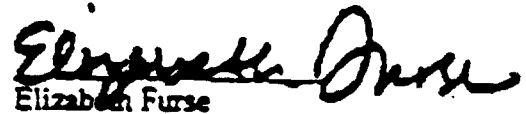
Darlene Hooley



Ron Wyden



Peter DeFazio



Elizabeth Furse



Earl Blumenauer



KENT CONRAD  
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## United States Senate

WASHINGTON, DC 20510-3403

September 8, 1997

Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street NW  
Washington, DC 20554-0001

Dear Chairman Hundt:

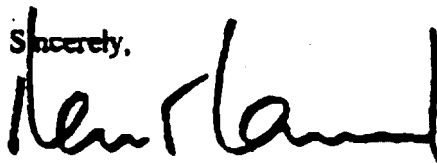
I am writing to express my concern about the FCC's recent universal service order and its impact on rural America. It is my understanding that the order requires states such as North Dakota to cover 75 percent of the universal service payments that provide affordable service to rural customers. In the face of declining subsidies that have historically supported telephone service to high-cost areas, this share level will be a tremendous burden for many states to bear. The consequences of this policy could be drastically higher telephone rates, reduced rural network investment, and a wider divide between the haves and have nots.

It was not the intention of the Telecommunications Act of 1996 to substantially reduce the federal role in assuring universal service. The FCC should develop a national high-cost fund that is based on both interstate and intrastate telecommunications revenues, and that supports 100 percent of the subsidies required to keep rural rates affordable. The funding should be directed to where it is needed most and all telecommunications companies serving high-cost customers should be eligible to receive support.

It is in the national interest to maintain a strong telecommunications infrastructure, even in sparsely populated rural areas. Each of us depends on clear telephone connections to friends, family, and business associates. A federal universal service fund would ensure that those connections continue by preserving the vitality of the public telephone network and by maintaining incentives for telecommunications investment.

I urge you to support the creation of a national universal service fund. Thank you for your consideration of this issue.

Sincerely,



KENT CONRAD  
United States Senate

KC:wsp